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Perkins, George

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George W. Perkins...

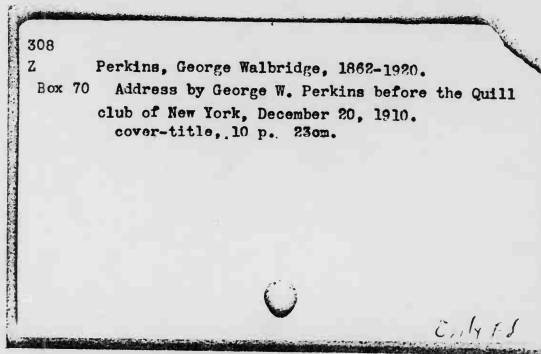
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BY

GEORGE W. PERKINS

BEFORE

THE QUILL CLUB OF NEW YORK

DECEMBER 20, 1910

16 March, 1920 - C. R. W.

The United States is in the very centre of the stage in the matter of the world's future commercial development. To the south of us is South America, a great and only partially developed country, full of rich mineral resources and possessing splendid agricultural possibilities. Between us and this great empire will pass the Panama Canal which will draw the East and the West, commercially speaking, very much closer together and place the United States directly in the path of international commerce.

There would seem to be but one safe and sure course for the United States to follow in order to be ready for and equal to the place in commerce that nature has allotted to her. Summed up, that course is constructive development along such lines as will lead to maximum efficiency; for, in the world's commerce of the future, the nation developing the highest order of efficiency, with all that the word implies, is the nation that will win out.

Efficiency has gradually taken on a new, a broader significance. It now stands not only for close business management, the saving of the waste, the raising of the standard of individual work, the encouraging and promoting of team work, a keen insight into business conditions and tendencies throughout the world, but also a lively regard for public opinion and, above all, an honest, open and square method of business dealing. The old motto that hung on the wall for so long and that told us that "Honesty is the best policy" has of late been taken down, dusted, vitalized, and given a real place in our business fabric.

We cannot become properly efficient as a nation in our relations with other nations until we have become efficient among ourselves, and this we cannot do until we have adjusted our own differences and decided what shall be our business standards, our business methods. A house divided against itself is bound to fall. It is just as important to our foreign trade relations as it is to our domestic trade relations that we settle with all

possible dispatch the question of how the United States is going to do business.

Mr. Stone, in his admirable paper before this Club in October, said that he could not believe with Carlisle that "After all, the fundamental question between any two beings is, 'Can I kill thee or canst thou kill me?'" Under the early conditions of human life, if a man had a difference with another he settled it by killing him. This was presently seen to be rather undesirable, and next came the duelling period, where each man had a fair chance at the other's life. This was finally seen to be undesirable and was abolished. Both conditions were abolished not because the people as a whole had an unbounded love for the individual who might be destroyed, but because it was seen that both methods of adjusting differences were injurious to society as a whole and retarded human progress. We have now reached a point where all differences between individuals, no matter of what nature, are settled by a third party. Any one who attempts a settlement by the old methods is promptly locked up. In other words, war between individuals is practically obsolete, and because of this the efficiency of the race has been enormously enhanced.

Every one will admit, I take it, that competition in business is nothing short of war. Man first worked as an individual—worked at something he owned himself and worked it for his own profit. His second condition was that of working with one partner. His third condition was that of working in a firm with a small group of partners. His fourth condition was that of working in a small corporation with a comparatively small group of stockholders. His fifth and present condition is that of working in an interstate or international corporation with stockholders scattered all over the world.

In his first condition—that of working alone, for himself—everything tended to develop the most selfish side of the man. He thought of nothing but himself, worked for no one but himself. If he failed or if he ruined his opponent only one of two individuals was injured. With his one partner he did not get very far away from his first condition; neither did he with his several partners, but there was at least a slight improvement. With the advent of the small corporation our troubles of to-day took more definite shape and largely because the

managers of these corporations went at their calling in the same selfish, narrow spirit that actuated them when they worked for themselves or as partners in a firm. They disregarded the rights of the public; they disregarded the rights of labor, and pushed their business solely for the interests of themselves and their stockholders. This developed trouble of the most serious nature, and this trouble can only be removed through the adoption by managers of great corporations of a policy of broad co-operation between themselves and the labor they employ, between themselves and the public whom they serve, between themselves and the State; and this is true because when the large corporation goes to war it hurts too many people in too many ways.

Normal conditions in the future will be vastly different from normal conditions in the past, and if capital and those representing capital will first properly recognize their duty towards the public, and then properly discharge that duty, the momentous questions existing can readily be solved, with the result that the material welfare of our country will be elevated to a plane far above that enjoyed by us in the past or by any other nation in the future, and our efficiency will be enhanced to a surprising degree.

Whether we like it or not, the time has come when business men must realize that a man who makes what the public wants to buy, whether that be transportation or commodities, need have no fear in conducting an honest business, especially in a country where the percentage of people who have been educated, who have been taught to think, is rapidly increasing; and in showing his copartners in the trade that this can be done profitably he is conferring a benefit on the public in general, and good securities will not be blighted but rather enhanced in value by such a course.

Some powerful causes must have brought about the mighty changes that have been taking place, and the most potent among these causes is unquestionably found in the inventions of the last century, which have brought the people of the world so closely together. When a man went out and killed another man with whom he had a difference—when a man had his own business and ran it himself—we scarcely had a sailing vessel on the waters and nothing much better than the

ox-team on land. Human brains and human energy could not reach out very far. What an individual did affected very few people beyond the hamlet in which he lived. The development from the individual to the firm, to the partnership, to the small corporation, to the great corporation, has almost exactly kept pace with the discoveries that have annihilated distance in the transportation of thought and commodity.

There are just exactly as many miles between London and New York to-day as there ever were, but a New York man can now ask a question of London and get an answer in a few seconds, and he can transport his body from New York to London in less than a week's time. There is scarcely any line of business to-day in which a man cannot, by the use of electricity, quote a price on his product to any consumer in any part of the world, in the morning, and have an answer before night.

The fathers of the men in this room might have been endowed with minds many times as able as ours and yet they could not possibly have accomplished what we can accomplish, because they did not have the mechanism with which to do it. They did not have the typewriting machine, the 20th Century Limited, the ocean greyhound, the long-distance telephone, nor the wireless. These instruments, which minister to and expand the ability of a man's brain, are all space annihilators, are all inventions which tend to draw the world closer and closer together in one great brotherhood. The more you see of an individual the more you are going to know about him—the less he can conceal his weaknesses from you; and the closer the world is drawn together the better it understands and knows what is going on everywhere—the less possible it is to do business by secretive methods—the more necessary it is to be frank, honest, open and above-board.

The long-range fighting of an army does not do much damage, but when the men get close together and a hand-to-hand struggle begins, then are the trenches filled with the slain. Through the inventions of the last century the world has been drawn closer and closer together in all its relations. We must do one of two things: Abolish the ocean greyhound, stop the 20th Century Limited, cut down the telephone and the telegraph wires, and get back to old methods of intercommunication, or we must learn how to get on together.

Competition under present methods of life is too destructive to be tolerated. Co-operation must be the order of the day. It is the only method that will provide an efficiency that will answer future conditions of life, and the nation that first recognizes this and works out the problem will be the nation to lead in the future.

This past Fall the American Iron and Steel Institute invited representatives of the Iron and Steel Institutes of Europe to come here as its guests. Something over 25 of such representatives came and a number of days were spent in conferences in this country. The question of competition *versus* co-operation throughout the world was dwelt on at great length by representatives from all nations. Towards the close of the meetings the suggestion was made that an International Institute be organized, and as this met with favor another suggestion was made that a seal or emblem of some sort be designed that could be used by the International Institute. Several designs were submitted. Finally one was offered that showed in the center of the sketch a number of swords and bayonets thrust into the ground and others being made into ploughshares. At the top were the words "Right is might" and at the bottom was the one word "Co-operation." It was surprising to see how quickly this emblem appealed to every man, no matter from what country; and it was clearly because each man, being a leader in his industry in his own country, had become keenly alive to the fact that by the use of the cable, the telephone and the fast ships, he either had to fight fast and furiously and at great risk all over the world, or he had to do business on a "live and let live" basis. Only a few years ago if these same men had met it is safe to say that every one of them, if asked for a design for a seal for an International Steel Association, would have said that the wording should be, "Might is right; Competition."

If this has come to be the position from which the steel men of the world view their business, does it not behoove all other lines of business to take notice and begin to think along similar lines? But we cannot have co-operation in a half-hearted, incomplete manner. We cannot have it solely for the profit of the managers and stockholders of a business, because such a condition would mean a temptation almost too great to withstand, to acquire undue profits and undue power which, in turn,

would mean hardships to the public and to labor. We can only have co-operation that is real and that permeates everywhere; co-operation between manager and stockholders, between manager and labor, between manager and public, between manager and government.

It has been said that by substituting co-operation for competition you take the virility out of business; that there is a certain something about competition that spurs men on, improves conditions, and ultimately gives better service and cheaper prices to the public. In my judgment this is a mistake. Competition had to exist at one time, but all the benefits that were derived from it can be had by substituting emulation in business, under the principle of co-operation; but to have this you must have men of honor, of integrity, of education; men with red blood in their veins, who believe in humanity and in the rights of all. Civilization and education have brought the world to a state of development where we have the right to expect men of this breed in the future; otherwise the enormous sums of money that have been spent in this country for educational purposes in the last half century have been largely mispent or spent in vain.

In our country the State and wealthy individuals have vied with one another in spending money to educate the masses—to teach them to think—to cultivate their independence of thought and action. Having done this, is it not inconsistent to still take the position that a few people of affairs know best what should be done for the many? To give away millions with one hand, for educational purposes, and with the other hand repel the views and ideas that are the fruits of such education, would seem to be inconsistent, to say the least. You cannot spend a million dollars on the education of one generation without having a million questions raised by the next generation.

As a result of the educational process that has been going on, one of the questions raised by the present generation is, "What is the proper division of profits as between capital and labor?" This is the question, and it is being mistaken in many quarters for a demand for higher wages. The question can never be answered by a mere increase in wages or by frequent increases in wages. The increasing intelligence of the people,

which the State and men of wealth have brought about through their contributions for educational purposes, has raised the question, not as to the amount a man is paid for his services, but as to whether or not the amount he is paid, be it little or much, is his fair proportion of what is made in the business of which he is a part. We see many instances in life where manual labor if performed by people for small pay, and yet willingly performed because they know that what they are paid is all that the calling can rightfully stand.

When labor is in serious doubt or practically certain that it is not getting its fair proportion, an increase in wage is too much like a bribe and, in many cases, simply adds fuel to the flame and arouses suspicion. If we are going to get away from ruinous competition to a co-operative or "live and let live" basis, we must co-operate all along the line, and to co-operate between capital and labor there must be a show-down as to what the business is doing; there must be publicity and frankness, to the end that the labor part of the concern may know what the capital is doing and making; and my experience has been that in place of this being a dangerous policy for a concern to adopt, it is the only safe policy, and that once adopted and adopted honestly and sincerely, it would go far towards adjusting many differences that now exist.

The day of the secretive method, of getting away with improper profits, is gone; but this does not mean that the day of substantial profit to capital is gone. Broadly speaking, I have come to believe that the following principle should be adopted in the organization of American business concerns, viz.: The organization of men managing any given business should be paid their salaries for rendering service of a kind that would earn the amount of money necessary to keep the business rehabilitated—to pay interest on any bonded debt there might be, and dividends on preferred shares of stock, when conservatively issued. If this organization of men should go further than this in their efforts and earn more money than is necessary for these purposes, that money would naturally go to the common stockholders; and at this point the organization of men managing the business should share with the common stockholders this extra profit earned; and the basis of this sharing should be with regard to the original cash value of the common stock

when the company was organized, the nature of the service performed, the difficulties involved in the business venture, etc. Broadly speaking, this basis of profit sharing would have enormous advantages all around. The very fact that the organization was employed under such a contract by the stockholders would be the best possible guarantee to the bondholders of such a company that their interest would be earned, because the organization would constantly have as its goal the object of earning something on the common stock; and this in itself would be the best possible guarantee that the interest on the bonds would be earned if such a thing were at all possible.

The interest a stockholder has in a business is important, but it is really only important in so far as it represents the capital employed. The interest that the man on a salary should have, and might be made to have, is infinitely more important. The man who owns a share of stock, having furnished some money for the business, should know enough about the business to make up his mind whether his investment is safe and profitable. The man who is working in the business should know this, but he should also be so deeply interested in the everyday affairs of the business, its possibilities for future development and its progress, as to be always keenly on the lookout for any new ideas or methods that might be introduced to advantage.

Men worthy of the name, in whatever calling, do not want something for nothing; and where is the human being of any worth who has not a latent desire to have his responsibilities developed, who does not appreciate and respond to an opportunity to do something a little better than he has been doing it, who cannot be taught, by example and incentive, to use his brains just a little bit better to-morrow than he used them yesterday? Help him to do this and you not only make a better man in business but a better citizen as well, and raise the standard of efficiency all along the line.

I contend that the labor of the United States and the public are not afraid of the size of our business enterprises. They like a large game; but, as some one recently said, they want to know in advance what the rules of the game are and also that the rules are not going to be changed, without notice, in the middle of the game.

There is another phase to the co-operative idea, and it is

the relation of business to the public. When a group of men decide to organize a business undertaking of huge magnitude, they have to go to the public for the capital. The moment they do this they assume the position of trustees for the people whose capital is thus invested and the concern becomes one of a semi-public nature; and these trustees are in honor bound to make full and frequent accountings of their trusteeship to the people whose money has been put into the business; and the larger the number of such stockholders the more binding is the obligation to treat the enterprise as a semi-public institution, and when such an enterprise reaches such large proportions as to ramify everywhere, then it is but proper that some governmental authority representing the people should exercise a supervisory attitude over such a business, and be in a position to say to the people whose money is invested, and to the public who are buying the wares, that the business is honestly handled and fairly ably managed.

There is nothing in this programme inconsistent with good business methods; there is everything that is consistent with promoting efficient management as between the managers of such a business and its labor, between the managers of such a business and the public, between the managers of such a business and the State.

Furthermore, unless we are going back to first principles, to small lines of business, to small units of endeavor, we must go forward to one of three ultimate conditions, viz.: Large corporate concerns, operated on a co-operative basis and with government supervision; or, government ownership; or, socialism.

To the thoughtful student of affairs, to the man who has studied the past, who knows the present and who has forecast the future, there can be but one rational choice as between those three conditions. Conditions are such that we must have large business concerns supervised by a strong hand; for it will be under these conditions that the maximum of efficiency will come to our country, both in its interstate and international business relations.

One cannot contemplate these problems, intricate and vital as they are, and cannot have watched the trend of things in this country during recent years, without being convinced that we are moving rapidly and in the right direction. The American

people have been and are being rapidly educated along broad lines. They are becoming independent thinkers. They fully realize the vast opportunities that are theirs. They will never throw away such a rich heritage as is theirs. They are honest, industrious, fair, and ambitious. There is no room for the pessimist; ours is the natural home of the optimist.

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